

## **EXHIBIT “A”**

**MEMORANDUM OF POINTS AND AUTHORITIES**  
**IN SUPPORT OF RECEIVER'S MOTION FOR APPROVAL OF (1) LETTER**  
**AGREEMENT BETWEEN RECEIVER AND CMA; (2) CMA ACCOUNTING;**  
**(3) PAYMENTS TO EMPLOYEES; (4) PAYMENTS TO UNDISPUTED GENERAL**  
**UNSECURED CREDITORS; (5) ASSIGNMENT OF CLAIMS BY CMA; (6) PAYMENT**  
**OF REMAINING FUNDS BY CMA TO RECEIVER; AND (7) INDEMNITY BY**  
**RECEIVER OF CMA IN CERTAIN CASES**

**I. INTRODUCTION**

Receiver Dennis M. Murphy (the "Receiver") seeks an order of the court approving a series of transactions that will allow Credit Managers Association of California, a California corporation, doing business as CMA Business Credit Services ("CMA"), assignee of Flex Trim California, Inc. ("FTC") and Flex Trim North Carolina, Inc. ("FTNC", and, collectively with FTC, the "Flex Trim Entities") to pay the undisputed claims arising from the assignments for the benefit of creditors of the Flex Trim Entities and then to pay the remaining amounts – and assign any remaining claims – to the Receiver. The Receiver believes that these transactions, if approved, will allow CMA and its professionals to complete their work with respect to the Flex Trim Entities, and will also allow any remaining disputes relating to the proceeds of the assignments to be resolved efficiently as part of the marital dissolution proceedings herein. In addition, and by design of the Receiver and CMA, this motion affords the court, Petitioner Allen A. Jones and Respondent Mary Kay Jones the opportunity to review CMA's accounting of its efforts to date with respect to the affairs of the Flex Trim Entities, before any payments are made by CMA to creditors.

Specifically, by this motion, the Receiver requests that the court approve the following:

1. A letter agreement dated November 21, 2007 between the Receiver and CMA (the "Letter Agreement") (a copy of the Letter Agreement, which provides that it is subject to the approval of the court herein, is attached to the accompanying Declaration of Dennis M. Murphy ("Murphy Declaration") as Exhibit "A");

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**MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF RECEIVER'S  
MOTION FOR APPROVAL OF LETTER AGREEMENT WITH CMA, ETC.**

2. CMA's accounting of the assignments of the Flex Trim Entities, including CMA's payments of (a) attorney's fees and costs; (b) outside agent fees; and (c) CMA's administrative fees, as permitted by California law (a copy of CMA's accounting is attached as Exhibit "I" to the accompanying Declaration of Michael L. Joncich (the "Joncich Declaration"));

3. The payment in full of all employee claims;

4. The payment in full of all "undisputed" general unsecured creditors which have filed claims;

5. The assignment by CMA to the Receiver of certain litigation claims CMA may hold by reason of the assignments;

6. After the deduction of a reserve for certain items in the amount of \$40,553.49, the payment of all remaining funds held by CMA to the Receiver to be held in a segregated account pending further order of the court;

7. The indemnity by the Receiver of CMA, in certain instances, and up to a specified cap, as set forth in the Letter Agreement.

This motion is being heard on shortened time pursuant to the court's order dated December 11, 2007. CMA is currently holding approximately \$1,526,870.15 in free-and-clear cash. The Receiver believes that the relief sought herein is reasonable under the circumstances, is in the best interests of the marital estate, and is the most efficient manner in which to proceed in light of the funds CMA holds and the current posture of matters concerning the assignments.

## II. FACTUAL BACKGROUND

### A. The Flex Trim Entities and Tachus.

Starting in the late 1980's, Mr. Jones built a construction supply business which employed proprietary technology and know-how to make and sell custom curved moldings made of resin (essentially, a specialized type of plastic) to the construction industry, including especially the residential home building industry. Ultimately, the business operated in California and the Southeast United States, through the Flex Trim Entities.

It is undisputed (for all purposes, the Receiver believes) that: (a) FTC is 100% owned by Mr. Jones, and (b) FTNC is 100% owned by Tachus, LLC, a Nevada limited liability company

1 ("Tahus"), of which Mr. Jones is the sole member. Thus, it is undisputed that the stock of, or the  
 2 beneficial interests in, the Flex Trim Entities is a marital asset subject to the jurisdiction of this  
 3 court. (*See* Murphy Declaration, *infra*, para. 4.)

4 B. The Jones Dissolution and the Appointment of the Receiver.

5 On April 3, 2002, Mr. Jones commenced the instant action. After almost five years of  
 6 proceedings, and frustrated with what she asserted to be the obfuscation and failure to fully  
 7 inform the court about the scope of his business affairs, on April 5, 2007, Mrs. Jones moved for  
 8 the appointment of a receiver over certain entities in which Mr. Jones had a partial or complete  
 9 interest. In conjunction with her motion, Mrs. Jones submitted three highly detailed declarations,  
 10 including numerous supporting exhibits, namely: (1) the Declaration of Mary Kay Jones; (2) the  
 11 Declaration of Richard A. Granowitz; and (3) the Declaration of Charlotte Reith. In further  
 12 support for her motion, on May 10, 2007, Mrs. Jones filed the Supplemental Declaration of  
 13 Richard A. Granowitz and the Supplemental Declaration of Charlotte K. Reith, CPA.

14 On May 11, 2007, after considering the evidence put forward by Mrs. Jones, and the  
 15 opposition thereto filed by Mr. Jones, which included his Responsive Declaration to OSC or  
 16 Notice of Motion, the Declaration of Allen A. Jones and the Declaration of Marvin M. Reiter,  
 17 CPA, the court appointed the Receiver with power over a number of entities, including the Flex  
 18 Trim Entities and Tahus. The court's order was set forth in its Minutes dated May 11, 2007 (the  
 19 "May 11 Minutes"). On May 22, 2007, the court signed its written Order Appointing Receiver  
 20 and Directing Certain Other Matters (the "May 22 Order"). Copies of the May 11 Minutes and  
 21 the May 22 Order are attached as Exhibits "B" and "C", respectively, to the Murphy  
 22 Declaration.<sup>1</sup>

23 C. The Assignments for the Benefit of Creditors.

24 At some point prior to the entry of the May 22 Order, and apparently on or about May 21,  
 25 2007, Mr. Jones, purporting to act as the manager and sole owner of the Flex Trim Entities  
 26 and/or Tahus, assigned their assets to CMA, commencing a proceeding that is commonly  
 27

28 <sup>1</sup> Other entities were also included within the scope of the Court's orders.

1 referred to as an "Assignment for the Benefit of Creditors" for each of Flex Trim California, Inc.  
 2 and Flex Trim North Carolina, Inc. The parallel proceedings were commenced with documents  
 3 standard in such proceedings, known as "assignments," and the assignments for the Flex Trim  
 4 Entities are attached as Exhibits "F" and "G", respectively, to the Joncich Declaration.

5 Immediately subsequent to his appointment, the Receiver learned about the assignments.  
 6 The Receiver immediately informed counsel for Mrs. Jones and Mr. Jones, by letter, of the fact  
 7 of the assignments. A copy of the Receiver's letter to counsel dated May 24, 2007, is attached as  
 8 Exhibit "D" to the Murphy Declaration.

9 Because, by all accounts, the Flex Trim Entities were in financial distress, and in that Mr.  
 10 Jones had initiated the assignment process, the Receiver decided not to immediately contest the  
 11 validity of them.<sup>2</sup> (See Murphy Declaration, *infra*, at para. 9.) However, the timing of the  
 12 assignments is suspicious, at least, and occurred after the May 11, 2007 hearing held by this  
 13 court and possibly after Mr. Jones' then-counsel in this proceeding had signed off on the May 22  
 14 Order that was ultimately executed by the court. (See Murphy Declaration, *infra*, at para. 9.)

15 D. CMA's Auction Sale and the Receiver's Motion With Respect to It.

16 Consistent with its mandate, as assignee, to liquidate the Flex Trim Entities' assets, CMA  
 17 marketed the operating assets of the Flex Trim Entities and ran an auction process with respect to  
 18 them. (See Joncich Declaration, *infra*, para. 3.) Three companies posted a \$100,000 deposit  
 19 required by CMA, executed preliminary letters of intent that qualified them to bid, and made  
 20 minimum bids of \$1,000,000. (See Joncich Declaration, *infra*, para. 3.) These bidders were  
 21 HB&G Building Products, Inc., a Delaware corporation ("HB&G"), West End Partners and  
 22 Woodgrain Millwork, Inc. ("Woodgrain").

23 An auction amongst the bidders was held on Friday, July 27, 2007, culminating in HB&G  
 24 being the winner with a high bid of \$2.2 million. (See Joncich Declaration, *infra*, para. 4.)  
 25 Subsequent to the auction, CMA and HB&G negotiated an Asset Purchase Agreement dated  
 26 August 20, 2007 (the "APA") between CMA and an affiliate of HB&G which was to hold the

27 <sup>2</sup> The costs of the assignments are not insignificant, but the Receiver has not duplicated the efforts of CMA, its  
 28 attorneys and agents. (See Murphy Declaration, *infra*, at para. 9.)

1 purchased assets. On August 23, 2007, on an ex parte basis, the Receiver made his *ex parte*  
 2 Application by Receiver for Approval of Auction Sale and Related Transactions. After  
 3 continuing the hearing to Friday, August 24, 2007, the court approved the Receiver's application  
 4 and the sale pursuant to its Order Approving Auction Sale and Related Transactions dated  
 5 August 24, 2007 (the "Sale Order"). A copy of the Sale Order is attached to the Murphy  
 6 Declaration as Exhibit "E". Both Mr. Jones and Mrs. Jones appeared by counsel at the ex parte  
 7 hearing and the continued hearing.

8 The sale closed later on August 24, 2007, with CMA receiving net proceeds from the sale  
 9 of \$2,064,053.97, after taking into account a "purchase price adjustment" that was made in  
 10 accordance with the terms of the APA and the \$100,000 deposit which HB&G had previously  
 11 paid. A copy of a closing statement for the sale is attached as Exhibit "H" to the Joncich  
 12 Declaration.<sup>3</sup>

13 E. The Deadline for Filing Claims and the Claims Filed by Creditors.

14 1. *General Creditor Claims*

15 Pursuant to notices sent out after the assignments, CMA provided notice to all  
 16 creditors that November 26, 2007 was the last deadline for filing claims in the assignments.  
 17 Thereafter, certain creditors filed claims, as listed on Exhibit "I". However, if a creditor did not  
 18 file a claim, it is not entitled to be paid anything, regardless of what might otherwise be indicated  
 19 on the books of the Flex Trim Entities. Also, in certain cases CMA has determined that although  
 20 the creditor filed a claim, the claim should be disallowed, and therefore CMA does not believe  
 21 that the claim is valid and CMA does not (and would not, absent the Letter Agreement) pay the  
 22 claim (collectively, the "Disallowed Claims").

23 Each of the Receiver, Mrs. Jones, Jose C. Corral, purporting to act on behalf of Alissimo  
 24 S.A. de C.V. ("Alissimo"), and Francisco Elorza, purporting to act on behalf of Resinas Laguna,  
 25 S.A. de C.V. ("Resinas") filed various claims against the proceeds held by CMA. Not including  
 26 these latter claims, and also not including employee claims, discussed below, or the Disallowed

27 <sup>3</sup> Also, and as set forth on Exhibit "I" but not on the closing statement, CMA paid \$50,000 to Woodgrain as a  
 28 break-up fee. This amount was authorized to be paid by the Sale Order.

1 Claims, the total of the claims filed against FTC was \$74,666.67, and the total of the claims filed  
 2 against FTNC was \$398,732.88. However, R&D Properties, Inc., the landlord of FTNC, has  
 3 agreed to reduce its claim from \$336,000 to \$96,000, and therefore the total amount of FTNC  
 4 claims (again excluding the claims of the Receiver, Mrs. Jones, Mr. Corral and Mr. Elorza and  
 5 Disallowed Claims) is now \$158,732.88.<sup>4</sup>

6 2. *Employee Claims*

7 In addition to claims filed by vendors and other entities which claimed they were  
 8 owed funds by FTC and FTNC, employees of the entities are also owed priority claims pursuant  
 9 to California Code of Civil Procedure §1204(a)(1) with respect unpaid wages and accrued  
 10 vacation and sick pay in the 90 days prior to the assignments. As noted on Exhibit "I", these  
 11 "priority" claims are \$7,889.85 for FTC and \$12,521.87 for FTNC, or a total of \$20,411.72. In  
 12 addition, CMA has determined that certain of the hourly employees are also owed general  
 13 unsecured claims for wages and accrued vacation and sick pay due and owing at the time of the  
 14 assignments, which amounts do not constitute priority claims. As noted on Exhibit "I", these  
 15 general unsecured claims aggregate \$14,926.27 for FTC and \$28,353.80 for FTNC, or a total of  
 16 \$43,280.07.

17 3. *The Claims Purportedly Filed on Behalf of Alissimo and Resinas*

18 As noted above, Mr. Corral and Mr. Elorza filed two claims each with CMA,  
 19 purportedly on behalf of Alissimo and Resinas, respectively, as follows: with respect to FTC,  
 20 \$98,613.91 (Corral/Alissimo) and \$217,490.53 (Elorza/Resinas), and, with respect to FTNC,  
 21 \$195,064.16<sup>5</sup> (Corral/Alissimo) and \$385,221.21 (Elorza/Resinas). However, by the terms of  
 22 the May 22 Order, the Receiver is also the receiver of Alissimo and Resinas. Therefore, any  
 23 amounts that CMA would otherwise pay to these entities should be paid to the Receiver.  
 24

25  
 26 <sup>4</sup> As set forth on the accounting, there are seven (7) Disallowed Claims with respect to FTC and six (6) Disallowed  
 Claims with respect to FTNC, for a combined total of \$98,934.89. (See Jonicich Declaration, Exhibit "I".)

27 <sup>5</sup> The claim \$195,064.16 by Corral/Alissimo with respect to FTNC has been proposed to be allowed by CMA in the  
 28 reduced amount of \$152,451.24 to account for a credit due in the amount of \$42,612.92. (See Jonicich Declaration,  
*infra*, para. 11.)

1 The Receiver contends that the Alissimo and Resinas claims may not be valid or entitled  
 2 to payment as stated. Moreover, the Receiver contends that each of FTC and FTNC have  
 3 valuable claims against Alissimo and Resinas, which claims offset any amounts that would  
 4 otherwise be owing. Together, the four Alissimo and Resinas claims filed total \$853,776.89  
 5 (after the adjustment noted in footnote 5). Copies of the Alissimo and Resinas claims are  
 6 attached to the Joncich Declaration as Exhibits "K" to "N".

7 4. *The Receiver's Claims and Those Filed by Mrs. Jones*

8 The Receiver filed four claims as to FTC and FTNC as follows, \$907,173.74  
 9 against FTC, \$638,619.50 against FTNC and a proof of interest in an unknown amount as to  
 10 each entity. The Receiver filed his claims on behalf of amounts owing by FTC and FTNC to  
 11 Papa Lion, Inc. ("Papa Lion"). Copies of the Receiver's claims are attached to the Joncich  
 12 Declaration as Exhibits "O" to "R".

13 Mrs. Jones also filed claims with CMA, one each as a proof of interest for each of FTC  
 14 and FTNC. Copies of the claims filed by Mrs. Jones are attached to the Joncich Declaration as  
 15 Exhibits "S" and "T".

16 F. The Payments Made to Professionals and CMA's Fees.

17 CMA's accounting, Exhibit "I", also shows certain payments for "administrative" claims,  
 18 i.e., those claims made on account of expenses related to the administration of the assignment  
 19 estates. These amounts include, notably, (1) payments paid to CMA as its administrative fee,  
 20 \$81,000.00 for FTC and \$25,000.00 for FTNC for a total of \$106,000, or six percent (6%) of the  
 21 first \$1 million of the \$2.2 million in sale proceeds, four percent (4%) of the next \$1 million and  
 22 three percent (3%) of the amount in excess of \$2 million; (2) payments for attorney's fees and  
 23 costs paid to (a) Schulman Hodges & Bastian LLP ("SHB"), attorneys for CMA, in the total  
 24 amount of \$102,346.90; (b) Schumaker, Loop & Kendrick, North Carolina counsel to CMA in  
 25 the amount of \$15,786.37; and (c) Broker & Associates, the attorney for FTC and FTNC which  
 26 Mr. Jones consulted prior to causing the assignments in the amount of \$3,602.60, in connection  
 27 with documented the loan Mr. Jones made to CMA; (3) payments for "adjuster services" in the  
 28 amount of \$14,736.53; (4) payments to "outside labor," in the amount of \$67,683.37; and (5) a

1 payment to Kibel Green in the amount of \$6,081.56 as a consultant fee for services related to the  
2 sale.<sup>6</sup>

3 CMA's fees were calculated and paid according to the formula set forth above and as  
4 provided by the assignments executed by Mr. Jones. See Exhibits "F" and "G" to the Joncich  
5 Declaration. Most of the SHB's fees were related to advice related to the negotiation and  
6 consummation of the sale to HB&G, and thus SHB's work had a direct impact on the proceeds of  
7 the sale which were received. In the performance of its administration of assets, as assignee,  
8 CMA utilizes the services of adjusters to marshal assets, change locks, pack business records and  
9 provide basic bookkeeping services. CMA advances the expense for adjusters and reimburses its  
10 costs from the liquidation proceeds. The fees for "outside services" were paid to Management  
11 Pro Tem. CMA utilized the services of Management Pro Tem, an independent administrator, to  
12 function as supervisor for the operation of the Flex Trim Entities and the transfer of assets to the  
13 ultimate buyer. (See Joncich Declaration, *infra*, para. 15.)

14 G. The Cash Held by CMA.

15 As set forth on Exhibit "T", currently CMA holds approximately \$1,567,422.64, including  
16 the proceeds of the sale to HB&G net of other amounts paid, including the professional fees  
17 outlined above, and other amounts as set forth therein. In addition, to complete the transactions  
18 outlined herein, CMA will have certain additional costs, which it estimates to be \$40,552.49 (the  
19 "Proposed Reserve"), also as set forth on Exhibit "I". The Proposed Reserve is an estimate,  
20 only, and any amounts not actually spent will also be paid to the Receiver.<sup>7</sup>

21 H. The Litigation Claims CMA May Hold and the Proposed Indemnity.

22 As noted above, the Receiver contends that FTC and FTNC own valuable litigation  
23 claims against various parties, including Alissimo and Resinas. In addition, the Receiver  
24 believes that FTC and FTNC may hold claims (based on various grounds) for breach of duty

25  
26 <sup>6</sup> Exhibit "T" also shows a payment in the amount of \$87,975.28. This payment was made to remove certain  
27 materials prior to the sale that had to be treated as hazardous waste under California law. (See Joncich Declaration,  
28 *infra*, para. 16.)

<sup>7</sup> Under the terms of the assignments to CMA, CMA retains all interest earned on the funds it holds. See Exhibits  
"F" and "G" to the Joncich Declaration. Therefore, no interest is shown on Exhibit "I".

1 against Mr. Jones, who was at all times an officer and/or director of each of FTC and FTNC.  
 2 The Receiver contends that millions of dollars may have been diverted from FTC and FTNC to  
 3 Alissimo and/or Resinas. (See Murphy Declaration, *infra*, para. 11.)

4 In addition to the claims discussed above, CMA may also hold avoidance claims under  
 5 California state law or fraudulent transfers claims not related to Alissimo and Resinas. CMA has  
 6 one year from the date of the assignments to assert the avoidance claims, but it has yet to make  
 7 an investigation into them in light of the Letter Agreement. (See Joncich Declaration, *infra*,  
 8 para. 18.)

9 I. The Letter Agreement and the Transactions Contemplated Thereby.

10 The purpose of the Letter Agreement is to provide a mechanism by which CMA can  
 11 complete its work on the assignments while permitting any remaining disputes regarding the  
 12 funds generated by the sale of the operating assets of the Flex Trim Entities to be resolved in the  
 13 context of the marital dissolution action. In addition, should the Letter Agreement be approved  
 14 and consummated, it will have the benefit of allowing CMA to pay employee and third party  
 15 general unsecured claims in full, and will negate the need for CMA to investigate, let alone file,  
 16 preference actions. It will also will help streamline proceedings by eliminating a second layer of  
 17 professionals, and it gives the Receiver control of litigation claims which the Receiver believes  
 18 to be valuable.

19 If the Letter Agreement is approved, \$63,691.79 in priority and general unsecured  
 20 employee claims will be paid, and \$233,399.55 in general unsecured trade claims will be paid by  
 21 CMA. Then, after allowance for the Proposed Reserve, \$1,229,778.81 will be paid to the  
 22 Receiver to hold pending further order of the court.

23 Because it appears to be most efficient to allow the Receiver, pursuant to the authority  
 24 granted to him by the May 22 Order, to pursue or compromise the litigation claims he believes  
 25 FTC and FTNC possess, in the Letter Agreement the Receiver and CMA have agreed that CMA  
 26 will assign all such claims to the Receiver. However, the Letter Agreement also provides that if,  
 27 for some reason, the assignment of claims is determined not to have successfully provided the  
 28 Receiver with an appropriate basis to bring suit on the claims, CMA will agree to become a party

1 to litigation to remedy any such standing deficiency. As set forth in the Letter Agreement,  
 2 should CMA's assistance be required, the Receiver will pay CMA's costs and attorney's fees, up  
 3 to a cap of the total amount of the actual cash paid to the Receiver by CMA. More generally, the  
 4 Receiver will also indemnify CMA for any claims against it related to the assignments, also  
 5 capped at an amount equal to cash proceeds CMA pays to the Receiver.

6 All-in-all, the Receiver believes that the provisions of the Letter Agreement are  
 7 reasonable and appropriate to the current circumstances of this case. By approving the Letter  
 8 Agreement and the transactions proposed thereby, the court will allow CMA to finish its work,  
 9 and substantial cash proceeds will be paid to the marital estate for disposition in accordance with  
 10 the court's further orders.

### 11 **III. DISCUSSION**

#### 12 **A. The Letter Agreement and the Transactions Contemplated Thereby Should Be Approved.**

##### 13 **1. *The Legal Standard***

14 Subject to approval of the court, the receiver has discretion to take reasonable  
 15 steps to maximize the assets of the receivership estate. (See, e.g., *People v. University of*  
 16 *Riverside*, (1973) 35 Cal.App.3d 572, 582; 2 Weil & Brown, *California Practice Guide: Civil*  
 17 *Procedure Before Trial* (TRG 2007) ¶ 9:770-771, p.9(II)-514 (receiver can petition for  
 18 instructions).) With respect to the proposed disposition of assets by a Receiver, ". . . [T]he  
 19 primary function of the court is to manage or dispose of the property in the best manner possible  
 20 and for the best interest of the parties concerned." (*Gold v. Gold*, (2003) 114 Cal.App.4th 791,  
 21 806.)

22 The Receiver brings this motion consistent with his mandate from this court to  
 23 investigate and secure certain alleged marital assets, including FTC and FTNC, now reduced to  
 24 the cash proceeds held by CMA, and various unliquidated litigation claims. In addition, CMA  
 25 and the Receiver believe that, given the timing of assignments executed by Mr. Jones on the eve  
 26 of the entry of the May 22 Order, court approval of payments to creditors by CMA, as  
 27 contemplated by the Letter Agreement, is called for in this instance on, at least, a prophylactic  
 28 basis. Alternatively, if the court finds that it has no jurisdiction to evaluate any payments by

1 CMA, the Receiver asks the court consider this motion as a request for instructions regarding  
 2 whether or not the Receiver should take any action (setting aside whether or not such action  
 3 would be successful, a point CMA contests) to attempt to invalidate the assignments to CMA on  
 4 the grounds that the May 11 Order stripped Mr. Jones of his authority to make them, while  
 5 nonetheless preserving the Sale Order and the transactions closed in accordance therewith.

6 2. *The Terms of the Letter Agreement Should Be Approved*

7 Based on the above, the Receiver asks that terms of the Letter Agreement sale be  
 8 approved, to the extent required, as a reasonable exercise of his business judgment in managing  
 9 the receivership estate. (*See University of Riverside, supra*, 35 Cal.App.3d at 585. *See also*  
 10 *Nulaid Farmers Ass'n v. LaTorre*, (1967) 252 Cal.App.2d 788, 791-793.). The Receiver submits  
 11 that it makes sense to pay the "true" third party claimants to the assignments in full, and allow  
 12 those disputes related to potential claims by the Receiver on behalf of Papa Lion and the  
 13 purported claims from Alissimo and Resinas to be resolved in the context of the marital  
 14 dissolution action.

15 Although it may be that the Receiver's claims on behalf of Papa Lion might, in certain  
 16 cases, receive a slightly greater distribution than is contemplated under the Letter Agreement,  
 17 such a result is speculative, and it is also the case that such claims might be subject to  
 18 recharacterization or subordination, reducing or eliminating their value. Moreover, keeping the  
 19 assignments open will doubtless lead to additional administrative fees by CMA and its attorneys,  
 20 as well as additional cost to the Receiver. There is no need for the marital estate to bear these  
 21 burdens. The savings that will result more than offsets any potential that the Receiver might  
 22 receive slightly more in certain other scenarios. (*See Murphy Declaration, infra*, para. 14.)

23 B. The Assignment of Claims and the Proposed Indemnity Are Reasonable.

24 The Receiver believes that the cost and attorney's fee reimbursement provision is  
 25 reasonable in light of the fact that should CMA be required to participate in later litigation, it is  
 26 most likely that its costs will be nominal because the Receiver will be taking the "laboring oar"  
 27 in such matters. (*See Murphy Declaration, infra*, para. 15.) Also, with respect to the payment by  
 28 CMA of funds to the Receiver, as set forth in the Letter Agreement, the Receiver has agreed to

1 indemnify CMA for any costs and attorney's fees it may incur with respect to these matters  
 2 should it be sued. (See Murphy Declaration, Exhibit "A".) Again, however, the indemnity is  
 3 limited to the amount of cash actually paid by CMA to the Receiver. As thus limited, the  
 4 indemnity essentially puts CMA in the same position it is now. To the extent any claims are  
 5 asserted against the funds it holds, once the funds are in the hands of the Receiver, those funds  
 6 are still available to satisfy those claims. In light of the circumscribed nature of the proposed  
 7 indemnity obligation, and the very real benefit of ending CMA's participation in these matters,  
 8 the Receiver believes that the indemnity provision in the Letter Agreement is reasonable and  
 9 should be approved. (See Murphy Declaration, *infra*, para. 15.)

#### 10 IV. CONCLUSION

11 Based on the foregoing, the Receiver asks that the court:

- 12 1. Approve the terms of the Letter Agreement and the transactions contemplated  
 13 thereby;
- 14 2. Approve, to the extent required, CMA's accounting of the assignments of the  
 15 Flex Trim Entities, including CMA's payments of (a) attorney's fees and costs; (b) outside agent  
 16 fees; and (c) CMA's administrative fees, as permitted by California law;
- 17 3. Approve the payment in full of all priority and general unsecured employee  
 18 claims, in the total amount of \$63,691.79;
- 19 4. Approve the payment in full of all "undisputed" general unsecured creditors  
 20 which have filed claims and which have not been determined by CMA to be Disallowed Claims,  
 21 in the amount of \$233,399.55;
- 22 5. Approve the assignment by CMA to the Receiver of certain litigation claims  
 23 CMA may hold by reason of the assignments;
- 24 6. Approve, after the deduction of a reserve for certain items in the amount of  
 25 \$40,552.49, the payment of all remaining funds held by CMA to the Receiver to be held in a  
 26 segregated account pending further order of the court;
- 27 7. Approve the indemnity by the Receiver of CMA, ~~in certain instances, and up to a~~  
 28 specified cap, as set forth in the Letter Agreement; and

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1 8. Make such further orders as are just and proper.

2 *Respectfully submitted,*

3 Dated: December 13, 2007

ANDREWS KURTH LLP

4 By: C. John M. Melissinos  
5 C. John M. Melissinos  
6 Terry L. Higham  
7 Attorneys for Receiver DENNIS M. MURPHY

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13  
EXHIBIT A PAGE 17

MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF RECEIVER'S MOTION  
FOR APPROVAL OF LETTER AGREEMENT WITH CMA, ETC.

**DECLARATION OF DENNIS M. MURPHY IN SUPPORT OF RECEIVER'S MOTION**  
**FOR APPROVAL OF LETTER AGREEMENT WITH CMA, ETC.**

I, DENNIS M. MURPHY, DECLARE AS FOLLOWS.

1. I am the Court-Appointed Receiver ("Receiver") in this matter. I was appointed Receiver by written order of this court entered on May 22, 2007. I have personal knowledge of the facts stated below, or have gained knowledge of them from pleadings and other documents I have obtained and reviewed or from the professionals employed to assist me herein, and, if called as a witness, I could and would testify competently thereto.

2. Attached as Exhibit "A" hereto and incorporated herein by this reference is a true and correct copy of a letter agreement dated November 21, 2007 (the "Letter Agreement") between myself and Credit Managers Association of California, a California corporation, doing business as CMA Business Credit Services ("CMA").

3. Starting in the late 1980's, Petitioner Allen A Jones built a construction supply business which employed proprietary technology and know-how to make and sell custom curved moldings made of resin (essentially, a specialized type of plastic) to the construction industry, including especially the residential home building industry. Ultimately, the business operated in California and the Southeast United States, through Flex Trim California, Inc. ("FTC") and Flex Trim North Carolina, Inc. ("FTNC", and, collectively with FTC, the "Flex Trim Entities").

4. It is undisputed (for all purposes, I believe) that: (a) FTC is 100% owned by Mr. Jones, and (b) FTNC is 100% owned by Tachus, LLC, a Nevada limited liability company ("Tachus"), of which Mr. Jones is the sole member. Thus, it is undisputed that the stock of, or the beneficial interests in, the Flex Trim Entities is a marital asset subject to the jurisdiction of this court.

5. On April 3, 2002, Mr. Jones commenced the instant action. After almost five years of proceedings, and frustrated with what she asserted to be the obfuscation and failure to fully inform the court about the scope of his business affairs, on April 5, 2007, Respondent Mary Kay Jones moved for the appointment of a receiver over certain entities in which Mr. Jones had a partial or complete interest. In conjunction with her motion, Mrs. Jones submitted three highly

ANDREWS KURTH LLP  
601 SOUTH FIGUEROA STREET, SUITE 3700  
LOS ANGELES, CALIFORNIA 90017-5742  
(213) 896-3100

1 detailed declarations, including numerous supporting exhibits, namely: (1) the Declaration of  
2 Mary Kay Jones; (2) the Declaration of Richard A. Granowitz; and (3) the Declaration of  
3 Charlotte Reith. In further support for her motion, on May 10, 2007, Mrs. Jones filed the  
4 Supplemental Declaration of Richard A. Granowitz and the Supplemental Declaration of  
5 Charlotte K. Reith, CPA.

6 6. On May 11, 2007, after considering the evidence put forward by Mrs. Jones, and  
7 the opposition thereto filed by Mr. Jones, which included his Responsive Declaration to OSC or  
8 Notice of Motion, the Declaration of Allen A. Jones and the Declaration of Marvin M. Reiter,  
9 CPA, the court appointed the Receiver with power over a number of entities, including the Flex  
10 Trim Entities and Tachus. The court's order was set forth in its Minutes dated May 11, 2007 (the  
11 "May 11 Minutes"). On May 22, 2007, the court signed its written Order Appointing Receiver  
12 and Directing Certain Other Matters (the "May 22 Order"). Attached respectively as Exhibits  
13 "B" and "C" hereto and incorporated herein by this reference are true and correct copies of the  
14 May 11 Minutes and the May 22 Order.

15 7. At some point prior to the entry of the May 22 Order, and apparently on or about  
16 May 21, 2007, Mr. Jones, purporting to act as the manager and sole owner of the Flex Trim  
17 Entities and/or Tachus, assigned their assets to CMA, commencing a proceeding that is commonly  
18 referred to as an "Assignment for the Benefit of Creditors" for each of FTC and FTNC.

19 8. Immediately subsequent to my appointment, I learned about the assignments. I  
20 immediately informed counsel for Mrs. Jones and Mr. Jones, by letter, of the fact of the  
21 assignments. Attached as Exhibit "D" hereto and incorporated herein by this reference is a true  
22 and correct copy of my letter to counsel dated May 24, 2007.

23 9. Because, by all accounts, the Flex Trim Entities were in financial distress, and in  
24 that Mr. Jones had initiated the assignment process, I decided not to immediately contest the  
25 validity of them. However, the timing of the assignments is suspicious, at least, and occurred  
26 after the May 11, 2007 hearing held by this court and possibly after Mr. Jones' then-counsel in  
27 this proceeding had signed off on the May 22 Order that was ultimately executed by the court.

1 The costs of the assignments are not insignificant, but I have not duplicated the efforts of CMA,  
2 its attorneys and agents.

3 10. On August 23, 2007, on an ex parte basis, I made my *ex parte* Application by  
4 Receiver for Approval of Auction Sale and Related Transactions. After continuing the hearing  
5 to Friday, August 24, 2007, the court approved my application and the sale pursuant to its Order  
6 Approving Auction Sale and Related Transactions dated August 24, 2007 (the "Sale Order").  
7 Attached as Exhibit "E" hereto and incorporated herein by this reference is a true and correct  
8 copy of the Sale Order. Both Mr. Jones and Mrs. Jones appeared by counsel at the ex parte  
9 hearing and the continued hearing.

10 11. I contend that FTC and FTNC own valuable litigation claims against various  
11 parties, including Alissimo S.A. de C.V. ("Alissimo") and Resinas Laguna S.A. de C.V.  
12 ("Resinas"). In addition, I believe that FTC and FTNC may hold claims (based on various  
13 grounds) for breach of duty against Mr. Jones, who was at all times an officer and/or director of  
14 each of FTC and FTNC. I also contend that millions of dollars may have been diverted from  
15 FTC and FTNC to Alissimo and/or Resinas.

16 12. The purpose of the Letter Agreement is to provide a mechanism by which CMA  
17 can complete its work on the assignments while permitting any remaining disputes regarding the  
18 funds generated by the sale of the operating assets of the Flex Trim Entities to be resolved in the  
19 context of the marital dissolution action. In addition, should the Letter Agreement be approved  
20 and consummated, it will have the benefit of allowing CMA to pay employee and third party  
21 general unsecured claims in full, and will negate the need for CMA to investigate, let alone file,  
22 preference actions. It will also will help streamline proceedings by eliminating a second layer of  
23 professionals, and it gives me control of litigation claims which I believe to be valuable.

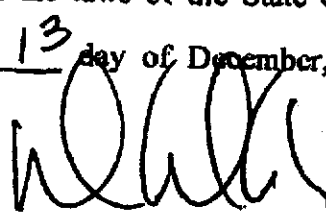
24 13. All-in-all, I believe that the provisions of the Letter Agreement are reasonable and  
25 appropriate to the current circumstances of this case. By approving the Letter Agreement and the  
26 transactions proposed thereby, the court will allow CMA to finish its work, and substantial cash  
27 proceeds will be paid to the marital estate for disposition in accordance with the court's further  
28 orders. I submit that it makes sense to pay the "true" third party claimants to the assignments in

1 full, and allow those disputes related to potential claims by me on behalf of Papa Lion, Inc.  
 2 ("Papa Lion") and the purported claims from Alissimo and Resinas to be resolved in the context  
 3 of the marital dissolution action.

4 14. Although it may be that my claims on behalf of Papa Lion might, in certain cases,  
 5 receive a slightly greater distribution than is contemplated under the Letter Agreement, such a  
 6 result is speculative, and it is also the case that such claims might be subject to recharacterization  
 7 or subordination, reducing or eliminating their value. Moreover, keeping the assignments open  
 8 will doubtless lead to additional administrative fees by CMA and its attorneys, as well as  
 9 additional cost to me. There is no need for the marital estate to bear these burdens. The savings  
 10 that will result more than offsets any potential that I might receive slightly more in certain other  
 11 scenarios.

12 15. I believe that the cost and attorney's fee reimbursement provision contained in the  
 13 Letter Agreement is reasonable in light of the fact that should CMA be required to participate in  
 14 later litigation, it is most likely that its costs will be nominal because I will be taking the  
 15 "laboring oar" in such matters. Also, with respect to the payment by CMA of funds to me, as set  
 16 forth in the Letter Agreement, I have agreed to indemnify CMA for any costs and attorney's fees  
 17 it may incur with respect to these matters should it be sued. Again, however, the indemnity is  
 18 limited to the amount of cash actually paid to me. As thus limited, the indemnity essentially puts  
 19 CMA in the same position it is now. To the extent any claims are asserted against the funds it  
 20 holds, once the funds are in my hands, those funds are still available to satisfy those claims. In  
 21 light of the circumscribed nature of the proposed indemnity obligation, and the very real benefit  
 22 of ending CMA's participation in these matters, I believe that the indemnity provision in the  
 23 Letter Agreement is reasonable and should be approved.

24 I declare under the penalty of perjury of the laws of the State of California that the  
 25 foregoing is true and correct. Executed this 13 day of December, 2007, at Pasadena,  
 26 California.



DENNIS M. MURPHY

**DECLARATION OF MICHAEL L. JONCICH IN SUPPORT OF RECEIVER'S**  
**MOTION FOR APPROVAL OF LETTER AGREEMENT WITH CMA, ETC.**

I, MICHAEL L. JONCICH, DECLARE AS FOLLOWS.

1. I am an employee of Credit Managers Association of California, a California corporation, doing business as CMA Business Credit Services ("CMA") assignee of Flex Trim California, Inc. ("FTC") and Flex Trim North Carolina, Inc. ("FTNC", and, collectively, the "Flex Trim Entities"). I have personal knowledge of the facts stated below, or have gained knowledge of them from documents I have obtained and reviewed or from the professionals employed to assist me herein, and, if called as a witness, I could and would testify competently thereto.

2. On May 21, 2007, Petitioner Allen A. Jones, purporting to act as the manager and owner of fifty percent (50%) or more of the shares of FTC and the manager of Tahus, LLC, a Nevada limited liability company ("Tahus"), the owner of fifty percent (50%) or more of the shares of FTNC, assigned their assets to CMA, commencing what is commonly referred to as an "Assignment for the Benefit of Creditors" for each of FTC and FTNC. The parallel proceedings were commenced with documents standard in such matters, known as "assignments." Attached respectively as Exhibits "F" and "G" hereto and incorporated herein by this reference are true and correct copies of the assignments made by Mr. Jones for FTC and FTNC.

3. Consistent with its mandate, as assignee, to liquidate the Flex Trim Entities' assets, CMA marketed the operating assets of the Flex Trim Entities and ran an auction process with respect to them. Three companies posted a \$100,000 deposit required by CMA, executed preliminary letters of intent that qualified them to bid, and made minimum bids of \$1,000,000. These bidders were HB&G Building Products, Inc., a Delaware corporation ("HB&G"), West End Partners and Woodgrain Millwork, Inc. ("Woodgrain").

4. An auction amongst the bidders was held on Friday, July 27, 2007, culminating in HB&G being the winner with a high bid of \$2.2 million. Subsequent to the auction, CMA and HB&G negotiated an Asset Purchase Agreement dated August 20, 2007 (the "APA") between CMA and an affiliate of HB&G which was to hold the purchased assets.

5. The sale closed later on August 24, 2007, with CMA receiving net proceeds from the sale of \$2,064,053.97, after taking into account a "purchase price adjustment" that was made in accordance with the terms of the APA and the \$100,000 deposit which HB&G had previously paid. Attached as Exhibit "H" hereto and incorporated herein by this reference is a true and correct copy of a closing statement for the sale. Also, CMA paid \$50,000 to Woodgrain as a break-up fee.

6. Attached as Exhibit "I" hereto and incorporated herein by this reference is a true and correct copy CMA's accounting to date of the assignments of the Flex Trim Entities, including CMA's payments of (a) attorney's fees and costs; (b) outside agent fees; and (c) CMA's administrative fees, as permitted by California law.

7. Pursuant to notices sent out after the assignments, CMA provided notice to all creditors that November 26, 2007 was the last deadline for filing claims in the assignments. Thereafter, certain creditors filed claims, as listed on Exhibit "I". However, if a creditor did not file a claim, it is not entitled to be paid anything, regardless of what might otherwise be indicated on the books of the Flex Trim Entities. Also, in certain cases CMA has determined that although the creditor filed a claim, the claim should be disallowed, and therefore CMA does not believe that the claim is valid and CMA does not (and would not, absent the Letter Agreement) pay the claim (collectively, the "Disallowed Claims").

8. Each of the Receiver, Respondent Mary Kay Jones, Jose C. Corral, purporting to act on behalf of Alissimo S.A. de C.V. ("Alissimo"), and Francisco Elorza, purporting to act on behalf of Resinas Laguna, S.A. de C.V. ("Resinas") filed various claims against the proceeds held by CMA. Not including these latter claims, and also not including employee claims, discussed below, or the Disallowed Claims, the total of the claims filed against FTC was \$74,666.67, and the total of the claims filed against FTNC was \$398,732.88. However, R&D Properties, Inc., the landlord of FTNC, has agreed to reduce its claim from \$336,000 to \$96,000, and therefore the total amount of FTNC claims (again excluding the claims of the Receiver, Mrs. Jones, Mr. Corral and Mr. Elorza and Disallowed Claims) is now \$158,732.88.

///

9. In addition to claims filed by vendors and other entities which claimed they were owed funds by FTC and FTNC, employees of the entities are also owed priority claims pursuant to California Code of Civil Procedure §1204(a)(1) with respect unpaid wages and accrued vacation and sick pay in the 90 days prior to the assignments. As noted on Exhibit "J", these "priority" claims are \$7,889.85 for FTC and \$12,521.87 for FTNC, or a total of **\$20,411.72**. In addition, CMA has determined that certain of the hourly employees are also owed general unsecured claims for wages and accrued vacation and sick pay due and owing at the time of the assignments, which amounts do not constitute priority claims. As noted on Exhibit "J", these general unsecured claims aggregate \$14,926.27 for FTC and \$28,353.80 for FTNC, or a total of **\$43,280.07**.

10. Attached as Exhibit "J" hereto and incorporated herein by this reference is a true and correct copy of a spreadsheet showing the calculation of the amounts owing to employees. CMA filed claims on behalf of the employees, and the amounts to be paid include the amount of "employer" taxes that will be due in conjunction with the payments. I believe it is critical to pay the employees before year end both to provide them with extra cash prior to the holidays and to save costs by obviating the need to generate the additional W-2s that would be required if payments were made in 2008.

11. Mr. Corral and Mr. Elorza filed two claims each with CMA, purportedly on behalf of Alissimo and Resinas, respectively, as follows: with respect to FTC, \$98,613.91 (Corral/Alissimo) and \$217,490.53 (Elorza/Resinas), and, with respect to FTNC, \$195,064.16 (Corral/Alissimo) and \$385,221.21 (Elorza/Resinas). The claim \$195,064.16 by Corral/Alissimo with respect to FTNC has been proposed to be allowed by CMA in the reduced amount of \$152,451.24 to account for a credit due in the amount of \$42,612.92. After that adjustment, the four Alissimo and Resinas claims total \$853,776.89. Attached respectively as Exhibits "K" to "N" hereto and incorporated herein by this reference are a true and correct copies of the Alissimo and Resinas claims.

12. The Receiver filed four claims as to FTC and FTNC as follows, \$907,173.74 against FTC, \$638,619.50 against FTNC and a proof of interest in an unknown amount as to

1 each entity. The Receiver filed his claims on behalf of amounts purportedly owing by FTC and  
 2 FTNC to Papa Lion, Inc. ("Papa Lion"). Attached respectively as Exhibits "O" to "R" hereto  
 3 and incorporated herein by this reference are a true and correct copies of the claims filed by the  
 4 Receiver.

5 13. Mrs. Jones filed claims with CMA, one each as a proof of interest for each of FTC  
 6 and FTNC. Attached respectively as Exhibits "S" and "T" hereto and incorporated herein by this  
 7 reference are a true and correct copies of the claims filed by Mrs. Jones.

8 14. CMA's accounting, Exhibit "I", shows certain payments for "administrative"  
 9 claims, *i.e.*, those claims made on account of expenses related to the administration of the  
 10 assignment estates. These amounts include, notably, (1) payments paid to CMA as its  
 11 administrative fee, \$81,000.00 for FTC and \$25,000.00 for FTNC for a total of \$106,000, or six  
 12 percent (6%) of the first \$1 million of the \$2.2 million in sale proceeds, four percent (4%) of the  
 13 next \$1 million and three percent (3%) of the amount in excess of \$2 million; (2) payments for  
 14 attorney's fees and costs paid to (a) Schulman Hodges & Bastian LLP ("SHB"), attorneys for  
 15 CMA, in the total amount of \$102,346.90; (b) Schumaker, Loop & Kendrick, North Carolina  
 16 counsel to CMA in the amount of \$15,786.37; and (c) Broker & Associates, the attorney for FTC  
 17 and FTNC which Mr. Jones consulted prior to causing the assignments in the amount of  
 18 \$3,602.60, in connection with documented the loan Mr. Jones made to CMA; (3) payments for  
 19 "adjuster services" in the amount of \$14,736.53; (4) payments to "outside labor," in the amount  
 20 of \$67,683.37; and (5) a payment to Kibel Green in the amount of \$6,081.56 as a consultant fee  
 21 for services related to the sale.

22 15. CMA's fees were calculated and paid according to the formula set forth above  
 23 and as provided by the assignments executed by Mr. Jones. Most of the SHB's fees were related  
 24 to advice related to the negotiation and consummation of the sale to HB&G, and thus SHB's  
 25 work had a direct impact on the proceeds of the sale which were received. In the performance of  
 26 its administration of assets, as assignee, CMA utilizes the services of adjusters to marshal assets,  
 27 change locks, pack business records and provide basic bookkeeping services. CMA advances  
 28 the expense for adjusters and reimburses its costs from the liquidation proceeds. The fees for

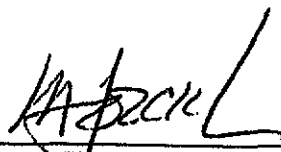
1 "outside services" were paid to Management Pro Tem. CMA utilized the services of  
 2 Management Pro Tem, an independent administrator, to function as supervisor for the operation  
 3 of the Flex Trim Entities and the transfer of assets to the ultimate buyer.

4 16. Exhibit "T" also shows a payment in the amount of \$87,975.28. This payment  
 5 was made to remove certain materials prior to the sale that had to be treated as hazardous waste  
 6 under California law.

7 17. As set forth on Exhibit "T", currently CMA holds approximately \$1,567,422.64,  
 8 including the proceeds of the sale to HB&G net of other amounts paid, including the professional  
 9 fees and other amounts as set forth therein. In addition, to complete the transactions outlined in  
 10 the Letter Agreement, CMA will have certain additional costs, which it estimates to be  
 11 \$40,552.49 (the "Proposed Reserve"), also as set forth on Exhibit "T". The Proposed Reserve is  
 12 an estimate, only, and any amounts not actually spent will also be paid to the Receiver.

13 18. In addition to the claims discussed above, CMA may also hold avoidance claims  
 14 under California state law or claims for recovery of fraudulent transfers not related to Alissimo  
 15 and Resinas. CMA has one year from the date of the assignments to assert the avoidance claims,  
 16 but it has yet to make an investigation into them in light of the Letter Agreement.

17 I declare under the penalty of perjury of the laws of the State of California that the  
 18 foregoing is true and correct. Executed this 13<sup>th</sup> day of December, 2007, at Burbank,  
 19 California.

20 

21 MICHAEL L. JONCICH  
 22

23  
 24  
 25  
 26  
 27 EXHIBIT A PAGE 26  
 28

**EXHIBIT “B”**

Home      Complaints/Parties      Actions      Minutes  
 Pending Hearings      Case Report

Action: (Choose)

COURT TRIAL -- ESTIMATED TRIAL LENGTH HRS.  
 05/11/2007 - 8:30 AM DEPT. S14

COMMISSIONER MICHAEL J. TORCHIA  
 CLERK: JOHN FILES  
 DEONNA FINAZZO  
 BAILIFF: PAUL A. BARRIE

APPEARANCES:

ATTORNEY J. NOLAN PRESENT FOR PLAINTIFF/PETITIONER.  
 ATTORNEY R. GRANOWITZ PRESENT FOR DEFENDANT/RESPONDENT.

PROCEEDINGS:

SETTLEMENT CONFERENCE HELD.

THE COURT APPOINTS DENNIS MURPHY AS TEMPORARY RECEIVER OF THE BUSINESS OF THE PETITIONER. MR MURPHY TO SUBMIT A REPORT TO COUNSEL AND THE COURT IN 90 DAYS. MR MURPHYS FEES ARE TO BE NO MORE THAN \$200 PER HOUR.

THE PARTIES ACCOUNTANTS MAY CONSULT WITH THE RECEIVER. COUNSEL AND PARTIES ARE NOT TO CONSULT RECEIVER UNLESS REQUESTED BY THE RECEIVER.

COURT AUTHORIZES \$35,000 BE RELEASED FROM THE BUSINESS PROCEEDS TO RESPONDENTS COUNSEL FOR ATTORNEY FEES WITHOUT PREJUDICE.

ALL SUPPORT ORDERS ARE TO REMAIN IN FULL FORCE AND EFFECT AND ARE TO BE PAID FROM THE BUSINESSES BY THE RECEIVER.

REZ-LINE, CIRCLE TRIM MATERIALS, FLEX TRIM NORTH CAROLINA, PAPA LION, FLEX TRIM CALIFORNIA, I-TRIM, HYDRO-FOG, JONESFOAM, ALISSIMO, MOLDFLEX, RESINAS LUGUNA, SANDSTONE, MOUNT CREEK VENTURES ARE JOINED TO THIS PROCEEDING.

COURT AND COUNSEL DISCUSS VARIOUS INTERLINEATIONS TO PETITIONERS PROPOSED ORDER. COUNSEL TO PREPARE FORMAL ORDER.

12:00

THOMAS LYNTEROPOULOS IS SWORN AND TESTIFIES AS WITNESS FOR RESPONDENT.

12:15

WITNESS THOMAS LYNTEROPOULOS EXCUSED.

HEARING RE: MANDATORY SETTLEMENT CONFERENCE SET FOR 09/20/07 AT 08:30 IN DEPARTMENT S14.  
 ACTION - COMPLETE

PREVIOUS MINUTES PRINTED  
 == MINUTE ORDER END ==

**EXHIBIT “C”**

p. 2

T-256 P.002/007 F-716

MAY 22 2007

By [Signature] Deputy

**Respondent.**

///

EXHIBIT C PAGE 28 <sup>Exh</sup>

May 23 2007 2:49PM GWJ LAW

9098890544

p. 3

05-21-2007 03:42pm From: GREGHAM SAVAGE, MOLAN TILDEN LLP

0016042100

7-208 P.002/007 F-716

## 1 IT IS HEREBY ORDERED AS FOLLOWS:

2 1. There are joined to these proceedings the following entities:

- 3 a. Rez-Line, Incorporated;
- 4 b. Circle Trim Materials, Inc.;
- 5 c. Flex Trim North Carolina, Inc.;
- 6 d. Papa Lion, Inc.;
- 7 e. Flex Trim California, Inc.;
- 8 f. I-Trim;
- 9 g. Hydro Fog, Inc.;
- 10 h. Jonesboro;
- 11 i. Trim Flex of California, Inc.;
- 12 j. Tahus, LLC;
- 13 k. Alissimo S.A. de C.V.;
- 14 l. Moldflex S.A. de C.V.;
- 15 m. Mountcreek Ventures, Corp.;
- 16 n. Resinas Laguna S.A. de C.V.;
- 17 o. Carter Millwork, Inc.; and
- 18 p. Sandstone, LLC;

19 all of the foregoing joined parties will hereinafter be individually and collectively  
 20 referred to as "the Entities".

21 2. Chicago Title is directed to produce to Respondent's attorney a copy of its file  
 22 regarding Escrow Number 27030727-62, relating to real property located at 660 East Mariposa  
 23 Drive, Redlands, California.

24 3. Petitioner is enjoined and restrained from removing any information from any  
 25 business in which he has a community or separate interest including, but not limited, to all  
 26 books, records and information on any computers thereof.

27 4. Dennis M. Murphy is appointed temporary receiver of each of "the Entities" and  
 28 their subsidiaries and affiliates, with full powers of an equity receiver, including (but not limited

- 2 -

GREGHAM SAVAGE  
 MOLAN & TILDEN  
 10000 Wilshire Blvd., Suite 200  
 Beverly Hills, CA 90210  
 (310) 271-0000

THAL:

ORDER APPOINTING RECEIVER AND DIRECTING CERTAIN OTHER MATTERS

EXHIBIT C PAGE 29

Exh. C - Page 6

May 23 2007 2:49PM GWL LAW

9098890544

P. 4

05-23-2007 08:14PM From: GRESHAM SAVAGE NOLAN TILDEN LLP

0516042100

T-108 P.004/007 P-716

1 to) full power over all funds, assets, collateral, premise (whether owned, leased, occupied or  
 2 otherwise controlled), choses in actions, books, records, papers, and other real or personal  
 3 property, including notes, deeds of trust, and other interest in real property belonging to,  
 4 managed by, or in the possession or control of the Entities, and any of their subsidiaries and  
 5 affiliates. Mr. Murphy is immediately authorized, empowered, and directed to:

6 A. Access and to take custody and control of all funds, assets, collateral, premises  
 7 (whether owned, leased, occupied, or otherwise controlled), choses in action,  
 8 books, records, papers, and other real property including notes, deeds of trust, and  
 9 other interest in real property of or managed by the Entities and their subsidiaries  
 10 and affiliates, with full power to sue, foreclose, marshal, collect, receive, and take  
 11 into possession all such property;

12 B. control and be added as the sole authorized signatory for all accounts of the  
 13 Entities and their subsidiaries and affiliates, including all accounts over which  
 14 their officers, employees or agents, have signatory authority, at any bank, title  
 15 company, escrow agent, financial institution, or brokerage firm, which has  
 16 possession, custody, or control of any assets or funds of the Entities or which  
 17 maintain accounts over which the Entities and/or any of their officers, employees,  
 18 or agents have signatory authority;

19 C. conduct such investigation as may be necessary to locate and account for all  
 20 assets of, or managed by, the Entities and their subsidiaries and affiliates, and to  
 21 employ attorneys, accountants, and other person to assist in such investigation;

22 D. take such action as is necessary and appropriate to preserve and take control of  
 23 and to prevent the dissipation, concealment, or disposition of any assets of, the  
 24 Entities and their subsidiaries and affiliates;

25 E. make an accounting to this Court of the assets and financial condition of the  
 26 Entities and the assets under their management, including all notes, deeds of trust,  
 27 and other interest in real property, and to file the accounting with the Court and  
 28 deliver copies to all parties by August 15, 2007;

- 3 -

ORDER APPOINTING RECEIVER AND DIRECTING CERTAIN OTHER MATTERS

GRESHAM SAVAGE  
 NOLAN & TILDEN  
 5000 BAYVIEW DRIVE, SUITE 200  
 BAYVIEW, CA 94026  
 (415) 342-1000

170641

EXHIBIT C PAGE 30

Exh. C - Page 7

May 23 2007 2:49PM GWL LAW

9098890544

P. 5

05-21-2007 09:48am From: GRESHAM SAVAGE "NOLAN TILDEN LLP"

0510042180

T-206 P.000/007 F-716

- F. make such payments and disbursements from the funds and assets taken into custody, control and possession or thereafter received by him, and to incur, or authorize the making of such agreements as may be necessary and advisable in discharging his duties as temporary receiver;
- G. access, monitor, and review all mail (including email) of the Entities in order to review such mail which he deems relevant to the business of these companies, and the discharging of his duties as receiver;
- H. exercise all of the lawful powers of the Entities and their officers, directors, employees, representatives, or persons who exercise similar powers and perform similar duties.

5. Petitioner shall, within five court days of the date of this Order prepare and deliver to said Receiver a detailed schedule of all the Entities' assets, including all real and personal property exceeding \$5,000.00 in value, and all bank, securities, futures, and other accounts identified by institution, branch address, and account number. The accountings shall include a description of the source(s) of all such assets. Such accounts shall be filed with the Court and copies shall also be delivered to Respondent's counsel.

6. Except as otherwise ordered by this Court, both Petitioner and Respondent, the Entities, and their officers, agents, servants, employees, attorneys, subsidiaries and affiliates, and those persons in active concert or participation with any of them, who receive actual notice of this Order, by personal service or otherwise, are temporarily restrained from directly or indirectly, destroying, mutilating, concealing, transferring, altering, or otherwise disposing of, in any manner, any documents, including all books, records, computer programs, computer files, computer printouts, correspondence, memoranda, brochures, or any other documents of any kind in their possession, custody, or control, however created, produced, or stored whether manually or electronically stored pertaining to any of the Entities.

7. That the Entities, and their subsidiaries and affiliates, and their officers, agents, servants, employees, and attorneys, and any other persons who are in custody, possession, or control of any assets, collateral, books, records, papers, notes, deeds of trust, or other interests in

- 4 -

ORDER APPOINTING RECEIVER AND DIRECTING CERTAIN OTHER MATTERS

EXHIBIT C PAGE 31

Exh

C - Page 8

GRESHAM SAVAGE  
NOLAN & TILDEN  
ATTORNEYS AT LAW  
10000 E. 15th Ave., Suite 200  
Denver, CO 80231  
(303) 733-1111

May 23 2007 2:49PM GWJ LRW

9098890544

p. 6

05-21-2007 02:41pm From: GRESHAM SAVAGE NOLAN TILDEN LLP

0510642160

T-245 P.000/007 F-715

1 real property, or other property of, or managed by the Entities shall forthwith give access to and  
2 control of such property to said temporary receiver.

3 8. No counsel for either party is to have any unilateral contact with the temporary  
4 receiver, however, the accountants for either party may do so, but no such contact shall be  
5 deemed to be a privileged communication.

6 9. The temporary receiver and anyone working on his behalf shall bill no more than  
7 \$190.00 collectively or in total average per hour for services performed hereunder.

8 10. The temporary receiver is to make payment to Respondent of \$12,150.00 per  
9 month from the Entities as replacement for the spousal and child support previously in place in  
10 this proceeding.

11 11. A hearing on the Report of the temporary receiver will be held on September 20,  
12 2007, at 8:30 a.m. in Department S-14.

13 12. Either party may object to the Report or any fee charged by the temporary  
14 receiver.

15 13. Payment of \$35,000.00 is to be made to Respondent's counsel from the funds of  
16 the Entities by June 11, 2007, said sum to be as attorneys fees and/or costs, with the Court  
17 reserving the right to re-characterize said payment at a later time.

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GRESHAM SAVAGE  
NOLAN & TILDEN  
ATTORNEYS AT LAW  
1000 Broadway Ave., 8th Floor  
New York, NY 10003  
(212) 461-1000

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ORDER APPOINTING RECEIVER AND DIRECTING CERTAIN OTHER MATTERS

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May 23 2007 2:49PM GWL LAW

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p. 7

05-24-2007 03:43pm From: GRESHAM SAVAGE NOLAN TILDEN LLP 0518042180 T-205 P.007/007 F-718

14. Nothing herein contained shall be deemed in any manner to be an admission or acknowledgement by Petitioner that any of the Entities are community property, or that they are controlled by either Party.

Dated: 5-22 2007

[Signature]  
JUDGE OF THE SUPERIOR COURT

APPROVED AS TO FORM AND CONTENT:

Dated: May 21 2007

GRESHAM SAVAGE NOLAN & TILDEN,  
A Professional Corporation

By: [Signature]  
John C. Nolan  
Attorneys for Petitioner  
ALLEN A. JONES

Dated: May 21 2007

GRANOWITZ, WHITE AND WEBER

By: [Signature]  
Richard A. Granowitz  
Attorneys for Respondent  
MARY KAY JONES

THE DOCUMENT TO WHICH THIS CERTIFICATION IS  
ATTACHED IS A FULL, TRUE AND CORRECT COPY OF  
THE ORIGINAL ON FILE AND OF RECORD IN MY OFFICE.

ATTEST MAY 22 2007  
Clerk of the Superior Court of the State of  
California, in and for the County of  
San Bernardino.

By: [Signature] Deputy



GRESHAM SAVAGE  
NOLAN & TILDEN,  
A Professional Corporation  
4040 Broadway Ave., Ste. 200  
Beverly Hills, CA 90210  
(310) 274-0000

ORDER APPOINTING RECEIVER AND DIRECTING CERTAIN OTHER MATTERS

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